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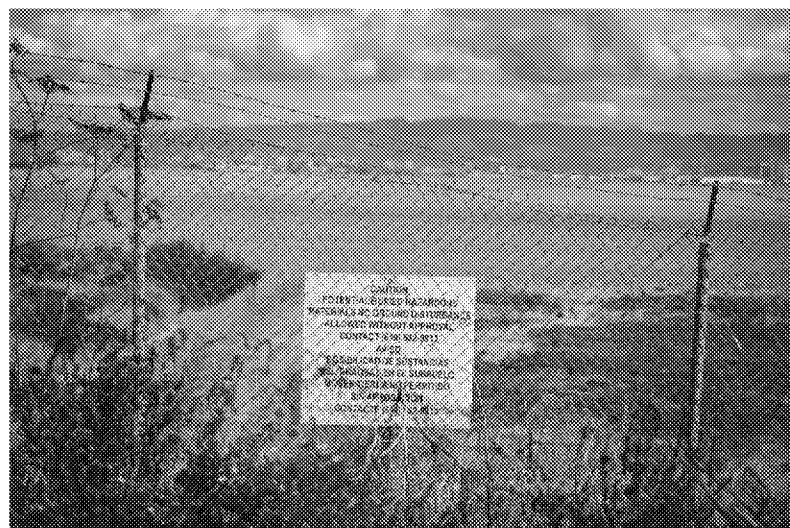
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## Cleanup investigation, escalating costs raise questions for Hunters Point Shipyard redevelopment



A sign warns of toxic landfill near the San Francisco Shipyard housing project near Innes Avenue and Donahue Street in the Hunter's Point neighborhood of San Francisco Tuesday, Oct. 4, 2016. (Dan Chambers/Special to S.F. Examiner)

By Joshua Sabatini on October 4, 2016 6:02 pm



The numbers are no longer adding up for Lennar Urban's massive redevelopment of San Francisco's Hunters Point Shipyard, and that could mean a major revision to the project agreement with The City.

Plagued by soaring construction costs as well as a criminal investigation into the improper cleanup of the land's radiological pollutants, development giant Lennar plans to submit a new financial plan as early as this week for the proposed multi-billion dollar Hunters Point Shipyard Phase 2 and Candlestick Point, casting into uncertainty the more than 10,100 homes and community benefits planned.

But project leaders said Tuesday that despite the emerging concerns, they are planning to move forward with the next phase of the project.

"As development has progressed since 2010, the Developer has incurred significant costs associated with horizontal development, including direct subsidies to the Alice Griffith rebuild and building out of infrastructure on Candlestick," according to an Oct. 4 memo from Tiffany Bohee, executive director of the Community Investment and Infrastructure Commission, which oversees the development area.

"Additionally, the Developer will be proposing changes to the project's development plan which may affect the financial projections," the memo reads. "To address these incurred costs and project revisions, the Developer has prepared a revised financial model.

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As the memo noted, a “key tenet” of the development agreement was that “the project must pay for the costs of completing the horizontal development, using private capital and revenues generated by the project itself.” The 2010 agreement estimated that the “horizontal development,” which includes infrastructure like roads and utilities along with community benefits like workforce training and artist space, would cost approximately \$2.68 billion.

Not until the new financials are reviewed will the impacts be understood. Significant changes to any of the hundreds of millions of dollars of community benefits or other development aspects would ultimately require approval by the Board of Supervisors.

“If you’re asking whether we’re seeking relief on community benefits or any significant changes to [the development agreement], the answer is no,” said Kofi Bonner, a Lennar executive, wrote in an email to the San Francisco Examiner on Tuesday.

“This is an update of numbers,” Bonner continued. “We’re not seeking changes to the agreement with this. That said, we do work with The City when we and they have requests to change certain things in the agreement. This isn’t that though.”

In addition to the construction cost escalations, a delay in the Navy’s transfer of land was also unanticipated. New allegations of improper clean up of the site’s toxins have prompted a multi-agency investigation, and the U.S. Navy will not transfer the lands for development until the investigations are completed, which could also impact previously assumed revenues.

“The scope and timeline of these investigations is currently unknown, and may result in significant delays to the transfer of property from the Navy to OCII,” Bohee wrote in a separate Oct. 4 memo.

Mayor Ed Lee and Supervisor Malia Cohen, who represents the Shipyard area, requested in a Sept. 19 letter to the U.S. Environmental Protection Agency a briefing with senior officials.

Bonner said, “We are continuing to plan and design the next phase of the project to be ready to initiate development once land is transferred.”

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cleanup of Hunters Point. The investigation resulted in Tetra Tech being fined \$7,000 in July 2016 for two "Tetra Tech workers, who worked within NRC jurisdiction, [and] deliberately falsified soil samples" during clean up activity in 2011 and 2012.

But in March, a former Tetra Tech employee came forward with new allegations related to the clean-up of the former shipyard's radiological materials, prompting the new ongoing multi-agency investigation.

In 1974, the U.S. Navy closed operations at the Hunters Point Shipyard. The contamination in the soils come primarily from the shipyard's use of a radioactive luminescent for dials, gauges and signs and from the Naval Radiological Defense Laboratory, which operated between 1948 and 1969.

Despite the new allegations, city officials say there is no health risk for current residents and employees in the area.

Amy Brownell, San Francisco's Health Department's environmental engineer, said Tuesday that none of the allegations have involved Parcel A, where the existing homes have been built as part of Phase 1. Brownell said that for the other parcels being cleaned up, "My health department and I continue to conclude that there is no immediate risk to residents, artists and workers who currently access the site."

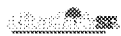
She said the Navy has indicated they might resolve the investigation "within the next two months, maybe sooner," adding that they are also looking into who exactly knew about the fake soil samples.

"There is also, we have been told, criminal investigations going on with the Navy and the U.S. EPA but they are not allowed to tell us anything about what they are doing," Brownell said.

Community Investment and Infrastructure commissioners on Tuesday approved a \$230,000 contract with ALH Urban & Regional Economics to review Lennar's new financials once they are submitted.

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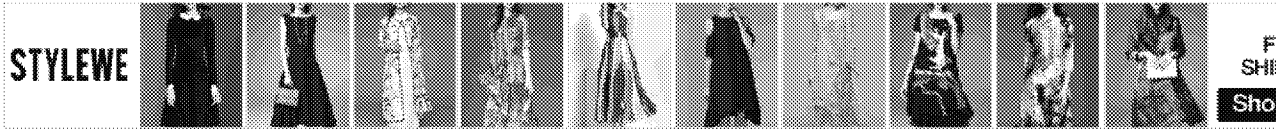
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